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SUBJECT: SWEDISH TRADE MINISTER ON PROTECTIONISM, TRADE WITH IRAN,
AND INVESTMENT IN IRAQ

11. This cable contains an action request at para 4.

12. On February 3, Swedish Minister for Foreign Trade, Ewa Bjorling,
discussed with Charge the following issues:

-- Fears of protectionism

Bjorling expressed Swedish concerns about protectionist tendencies detected in the "Buy American" language in the U.S. stimulus package working its way through Congress. Charge replied that the White House is aware and is working on the issue. He cautioned that Europe should also be vigilant regarding its fiscal stimulus measures.

-- Trade in Environmental Goods and Services

Charge noted that given the current focus on the climate issue and the huge importance of technology transfer to accomplish climate policy goals, we need to move forward reducing tariffs and barriers on environmental goods and services. Charge expressed that unless we succeed, we will essentially be giving massive budgetary support to developing countries, by paying the tariffs. Bjorling agreed, saying Sweden is interested in exploring this further.

-- Trade and Investments in Iraq

Charge and Bjorling discussed the encouraging developments on the ground in Iraq. Bjorling told Charge that the GOS hopes to inaugurate the Swedish Embassy in Baghdad this year. She is very pleased with her trade mission to Baghdad last year. Truck manufacturer Scania signed a MoU for 500 Scania trucks with the Ministry of Industry, and Telecom giant Ericsson has a partnership to supply base stations to Korek. In closing, Bjorling noted that doing business in Iraq still requires government to government engagement to a very large extent, and she said she hoped to return there soon.

-- Iran trade and sanctions

Ewa Bjorling raised trade with Iran, saying that "Iran is a major problem for the GOS." The GOS is following all EU and UN sanctions decisions, she told the Charge, and even stopped export credits to 3 Iranian banks before the EU-level sanctions were announced. However, Swedish businesses have a long-standing commercial relationship in the trucks and telecom industries. Sweden is far from the top exporter to Iran in Europe, she said, singling out Belgium, Germany, and Italy. However, she expressed concern about the fact that U.S. exports to Iran increased substantially in 2008.

Charge noted that U.S. trade sanctions with Iran are far more restrictive than those of Europe's. Charge explained that the reason for the increase in U.S. exports was primarily an increase in wheat exports. The background is a liberalization of trade in agricultural and medical goods, intended to send a message that sanctions are aimed at the Iranian leadership, not its people. Wheat constituted 82 percent of total U.S. exports to Iran in 2008,

without which the level of exports would have remained the same as in the previous five years.

-- Bjorling trip to Washington

Bjorling told us about a conference which she will host at the House of Sweden in Washington, D.C. on March 25, on the "The Future of Trade Policy". Paul Krugman will give a keynote address; other senior level participants they hope for are EU Trade Commissioner Ashton, and WTO DG Pascal Lamy. The Swedes hope to attract some 100 high-level participants, and we understand the invitations are being sent out shortly.

¶3. Charge expressed appreciation for Bjorling's balanced approach to the Arab-Israeli issue, especially during the recent Gaza crisis (Note. For example in her internet blog entries, Bjorling has pushed back on Swedish opposition calls for boycotts of Israeli goods.)

¶4. Action request. We recommend that Bjorling receive a senior State meeting during her late March trip to Washington, as well as a USTR meeting. She is a strong supporter of European engagement with Iraq and of a moderate, balanced approach on the Arab-Israeli front.

SILVERMAN